LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
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FISCAL IMPACT STATEMENT

LS 7376
BILL NUMBER: SB 540

DATE PREPARED: Jan 18, 2001
BILL AMENDED:

SUBJECT: Oil Redefining Facility Tax Credit.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a five-year property tax credit for redefined lubrication oil facilities. The bill requires the Department of Commerce to determine if the taxpayer is entitled to the credit.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: A taxpayer that owns a facility that processes re-refined lubrication oil would be entitled to a non-refundable credit against the taxpayer's state tax liability. The credit amount awarded would be a percentage of property tax paid by the taxpayer on (1) real property on which a facility that processes re-refined lubrication oil is located and (2) personal property used in the processing of re-refined oil to and from the processing facility. The credit allowed is a set percentage which would decline annually over the life of the credit. The following table defines the percentages.

Calendar Year	Credit Percentage
2001	100%
2002	80%
2003	60%
2004	40%
2005	20%

Unused credit can be carried forward for a period not to exceed two years. Therefore, all unused credit would have to be used by December 31, 2007.

Currently, at least one taxpayer would qualify for the credit. The property taxes paid by this taxpayer are estimated at $1 M in CY 2001 and $1 M in CY 2002. The taxpayer has experienced a significant increase in their property taxes due to the phase-out of the Resource Recovery Property Tax Credit.

Due to the effective date of this credit and potential impact on tax liability, a taxpayer could adjust their quarterly payments in anticipation of the credit. The potential impact in FY 2002 could include the full tax credit for tax year 2001 along with the first two quarterly payments of tax year 2002 adjusted for the anticipated 2002 tax credit. Depending on the income tax liability of the taxpayer, the proposed credit could reduce revenue between $750,000 to $1.5 M in FY 2002 and between $375,000 to $750,000 in FY 2003. It is unknown if the eligible taxpayer would be able to use the entire credit for a given year. The credit is not refundable and may only be carried forward for two years.

The estimated Oil Rerefining Tax Credit could also be effected by reassessment that will occur in CY 2003, since the taxpayers assessed valuation could change.

It is possible that additional unknown taxpayers either currently qualify for this tax credit or will be able to qualify in future years, therefore creating an indeterminable impact on future tax collections.

The credit may be applied to corporate gross, state gross retail and use tax, adjusted gross income tax, supplemental corporate net income tax, bank tax, savings and loan association tax, financial institutions tax, and the insurance premiums tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund.

A taxpayer must request the Department of Commerce to determine the taxpayer's entitlement to the credit in the manner and on forms prescribed by the Department.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of State Revenue; Indiana Department of Commerce.

Local Agencies Affected:

Information Sources: Indiana State Board of Tax Commissioners.